A meeting of the Budget, Finance and Investment Committee of the Board of Trustees of the University of Vermont State and Agricultural College was held on Friday, May 21, 2010 at 10:00 a.m., in the Silver Maple Ballroom, 401 Dudley H. Davis Center.

MEMBERS PRESENT: Chair Debbie McAneny, Vice Chair Samuel Bain, Bill Botzow, Ian Boyce, Carolyn Branagan, David Daigle, Daniel Fogel, Susan Hudson-Wilson, Brian Sozansky, Donna Sweaney, and Mark Young

REPRESENTATIVES PRESENT: Faculty Representatives Albert Joy and Donald Ross, Alumni Representative Meg Guzewicz, Staff Representatives Kit Ardell and Rodman Cory, Student Representatives David Maciewicz and Alex Mallea, and Graduate Student Representative Eric Garza

OTHER TRUSTEES PRESENT: Board Chair Robert Cioffi

PERSONS ALSO PARTICIPATING: Vice President for Finance and Administration Richard Cate, Associate Vice President for Budget and Resource Management Ted Winfield, Director of Capital Planning and Management Robert Vaughan, and Controller Claire Burlingham

ABSENT: Alumni Representative Walt Blasberg

Chair Debbie McAneny called the meeting to order at 10:35 a.m.

Approval of Minutes

A motion was made, seconded and voted to approve the minutes of the April 12 and May 10, 2010 meetings.

FY 2011 Tuition Rates

Chair McAneny opened with a number of major points on the development of the FY 2011 tuition rates. First, she stated that through this disciplined process there has been continuous dialogue between members of the Committee and University Administration. She further stated that the University has made significant progress since Vice President Cate’s arrival two years ago when the total budget gap was $14.7 million and was expected to be covered with reserves. Reserves were only drawn down by $7.0 million that year, and this year the University is projecting a balanced budget for FY2010, even though the approved budget included a structural gap of $5.3 million. Chair McAneny’s third point was to recognize the difficult economic times that the nation is facing. The Committee and University administration have responded to these times by departing from the strategic financial plan proposed 6% tuition increase. The proposed increase was reduced to 4.8%, and again to 4.0% with the recent one-time appropriation of $2.58 million from the State of Vermont. Chair McAneny’s last point was to express gratitude for the
one-time state appropriation but to also remind the Committee that the FY 2011 budget has a structural gap. The proposed budget is underfunding many important initiatives such as deferred maintenance and technology. In order to recognize the difficult economic times, it will be acceptable to allow for this one-time budget gap, but she asked the Committee to be conscious of this for the FY 2012 budget year.

Trustee Hudson-Wilson asked to make an opening remark in conjunction with Chair McAneny’s. She expressed her strong opposition to the proposed 4% tuition increase and also to using one-time state dollars to close the budget gap. She pointed out the increase in numbers and quality of applications and admissions during a difficult economic time. She stated this proves that the University has a strong brand identity that is highly valued in the market. It should be using that brand identity to support higher tuition increases to fund important initiatives. The high sticker price, high financial aid model is “brilliant” and it allows the University to build a pool of tuition dollars to spread around specifically to Vermont’s students in need, and allows the University to create a higher quality student body. She further stated there is more to be done and the student population has needs that should be addressed such as student housing, wellness and athletic facilities. She concluded that the University is on an upward spiral and should not back down now. It should admire the model that was built.

Trustee Branagan responded in regards to the one-time State money. She referred to a conversation she had with Vice President Cate where he explained the plan is to save approximately $2 million so that the University does not rely on the one-time dollars in a recurring way. She expressed her concern over not cutting the $2 million out of the budget in FY 2011 and that this method is not sustainable. President Fogel reiterated that FY 2011 does have a structural gap and there needs to be a recognition that this cannot continue.

Vice President Cate presented an overview of the FY 2011 general fund budget. At the April meeting, the Committee reviewed the FY 2011 general fund budget parameters. Those included a 4.8% tuition increase, having lowered the original proposal of a 6.0% increase. Since the April meeting, the University has learned that it will receive $2.58 million in one-time state appropriation in FY 2011. Vice President Cate noted it was important to remember that these dollars had been in the Governor’s proposed budget as base funding, but the final result is that the appropriation is one-time funding. This has allowed the University to bring before the Board a budget proposal that includes a 4.0% tuition increase. He also pointed out that out of the $2.58 million, roughly 25% goes to College of Medicine, 25% to Extension, and the other approximate 50% goes to the general fund and that after applying the fringe rate, about $600,000 will be added directly in the general fund budgets for these two areas. This results in a one-time increase to the general fund of approximately $2 million to offset the revenue reduction from lowering the tuition from 4.8% to 4.0%.

Tuition rate increases of 4.0% for both Vermont and out-of-state students were proposed. Also included in the resolution are proposed tuition rate increases for the College of Medicine of 2.5% for the first through fourth year classes, for both Vermont and out-of-state students. Vice President Cate covered attachment 7 that outlined the total cost of attendance for FY 2011. Trustee Botzow asked if the change in tuition increase would impact the promise made to students in regards to what they would receive, and also did the change in tuition impact the University’s competitive advantage.
President Fogel responded that it had been difficult to trim the FY 2011 budget and also maintain the overall student experience. He noted that a tuition increase of 4.0% over 4.8% only allows the University to cover increases in financial aid and the compensation increases for staff and faculty. It does not address any of the aspects that Trustee Hudson-Wilson touched on. He pointed out that this is a constrained budget; however the University is offering students’ exceptional quality and is suffering much less than other institutions. He stated that this should not have an impact on overall competitive advantage.

Trustee Young then made a motion to move the five budget related resolutions. Committee members agreed to move forward with the motion; however there was a brief discussion on the concern of large budget cuts all at once. Committee members agreed that there needs to be a long range plan. The University is faced with tough economic times; therefore a 4.0% increase is understandable. However, there is a need to look at the long range goals and begin to focus on what the University can do with the base dollars it has, versus focusing on what it must cut due to one-time funds. The University will need to be sensitive to near term needs but will need to focus on long term goals.

The Committee was also asked to approve the flat tuition rate for programs that enroll non-degree or certificate students and are offered primarily on-line. A rate of $508 per credit hour for the 2010-11 academic year was proposed. The five budget related resolutions were approved by the Committee for recommendation to the full Board with a 10-1 vote.

**Tuition Charges for Fiscal Year 2011**

RESOLVED, that the Board of Trustees hereby approves increases in the following tuition rates effective with the 2010-2011 academic year:

- a. In-state tuition from $11,712 to **$12,180** per year, or **$508** per credit hour.
- b. Out-of-state tuition from $29,568 to **$30,744** per year, or **$1,281** per credit hour.
- c. Medical student in-state tuition from $27,750 to $28,440 per year for first-year students; from $27,750 to $28,440 for second-year students; from $27,210 to $27,890 for third-year students; and from $27,210 to $27,890 for fourth-year students. Medical student out-of-state tuition from $48,570 to $49,780 per year for first-year students; from $48,570 to $49,780 for second-year students; from $47,630 to $48,820 for third-year students; and from $47,630 to $48,820 for fourth-year students.

**On-line Tuition Rate**

RESOLVED, that the Board of Trustees hereby approves the establishment of a flat tuition rate for programs that enroll non-degree or certificate students and are offered primarily on-line. On-line tuition will go into effect for the Fall 2010 semester at a rate of **$508** per credit hour for the 2010-11 academic year.
FY 2011 Student Fees

An increase of $44 (2.4%), from $1,842 to $1,886, is proposed for FY 2011. The student fees resolution was approved by the Committee for recommendation to the full Board with a 10-1 vote.

**Student Fees for Fiscal Year 2011**

RESOLVED, that the Board of Trustees approves increases to student fees from $1,842 to $1,886 effective with the 2010-2011 academic year.

FY 2011 Room and Meal Rates

The predominate traditional double room rate is proposed to increase 3.9% to $6,196 for the 2010-2011 academic year and the proposed average meal plan rate will increase 4.1% to $3,156. The room and meal rate resolution was approved by the Committee for recommendation to the full Board with a 10-1 vote.

**Room and Meal Plan Rates, Fiscal Year 2011**

RESOLVED, that the Board of Trustees hereby approves room and meal plan rates for Fiscal Year 2011 as follows:

<table>
<thead>
<tr>
<th>Room Type</th>
<th>Per Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Single with Bath</td>
<td>$7,736</td>
</tr>
<tr>
<td>Private Double with Bath</td>
<td>$7,556</td>
</tr>
<tr>
<td>Suite Single with Shared Bath</td>
<td>$7,316</td>
</tr>
<tr>
<td>Suite Double with Shared Bath</td>
<td>$6,318</td>
</tr>
<tr>
<td>Traditional Single</td>
<td>$7,136</td>
</tr>
<tr>
<td>Traditional Double</td>
<td>$6,196</td>
</tr>
<tr>
<td>Traditional Triple</td>
<td>$4,942</td>
</tr>
<tr>
<td>Traditional Quad</td>
<td>$4,150</td>
</tr>
<tr>
<td>Retail Dining – Lite Points</td>
<td>$2,482</td>
</tr>
<tr>
<td>Retail Dining – High Points</td>
<td>$3,156</td>
</tr>
<tr>
<td>Unlimited Access (+100 Points)</td>
<td>$3,156</td>
</tr>
<tr>
<td>Unlimited Access (+250 Points)</td>
<td>$3,528</td>
</tr>
</tbody>
</table>

FY 2011 Budget - General Fund

The FY 2011 general fund budget proposal, which includes a 4.0% tuition increase, is $289,652,000. The FY 2011 general fund budget resolution was approved by the Committee for recommendation to the full Board with a 10-1 vote.
Fiscal Year 2011 Budget Planning Assumptions: General Fund

RESOLVED, that the Board of Trustees hereby approves the budget planning assumptions for Fiscal Year 2011, which lead to a General Fund operating expense budget for the University of $289,652,000, and authorizes the President to proceed with detailed budget preparation in accordance with these assumptions.

Ten-Year Budget Plan Forecast

The Committee decided to table the discussion of the ten-year budget plan until they meet in October where there will be ample time for discussion.

Report of the Investment Subcommittee

Investment Subcommittee (ISC) Chair Samuel Bain opened his remarks to the BFI Committee with an overview of recent changes to the ISC - Ian Boyce has rejoined the ISC, and David Daigle is a new member, replacing Robert Cioffi and John Snow. Chair Bain then led the Committee through the Cambridge Associates’ report of the University of Vermont’s Long-Term Pool allocations and performance as of April 30, 2010. The endowment was valued at $303.5 million, up 3.7% CYTD; up 19.5% FYTD; and up 26.2% for the trailing 1 year. Chair Bain stated that the ISC has regular monthly meetings to discuss manager performance and review asset allocation targets. Currently the endowment portfolio is invested 50% in stock; 50:50 US/Global. Based on research provided by Cambridge Associates, the ISC moved money to a manager good at hedging inflation. On June 10th the Subcommittee will meet to interview a subset of those firms who responded to the RFP for Independent Investment Advisory Services – finalist to be recommended to the Executive Committee for new contract July 1, 2010. The ISC will meet July 20th to review presentations from four managers; a Hedge, a Cap Fund of Funds, a Real Estate Fund of Funds, and a Distressed Cap. Chair Bain stated that the ISC takes a long range view of endowment performance; the portfolio is very well positioned and highly diversified.

Vice President Cate briefly discussed the resolution recommending reclassification of an investment of land known as Whittlesley Property. The purpose of reclassification is due to a change in accounting standards that now require investments in real estate to be reported at fair market value, which would require regular reappraisals of the property. The administration requests that the property be reclassified from investment in the quasi-endowment fund to land in the University fund for fixed assets. A motion was made, seconded and approved for the Resolution Recommending Reclassification of Investment for recommendation to the full Board.

Resolution Recommending Reclassification of Investment

WHEREAS, in December 1987 the University acquired 18.6 acres of farmland at 1220 Spear St. known as the Whittlesley Property (“the property”) as an investment in the unrestricted quasi-endowment; and
WHEREAS, the property has been used to support the operations of the UVM Farm since the purchase and will continue to be used by the UVM Farm for the foreseeable future; and

WHEREAS, accounting standards now require investments in real estate to be reported at fair market value, which would require regular reappraisals of the property;

NOW, THEREFORE, BE IT RESOLVED, that the Budget, Finance and Investment Committee recommends that the property be reclassified from investment in the quasi-endowment fund to land in the University fund for fixed assets used in operations.

Socially Responsible Investing Work Group (SRIWG) Update

Trustee Bain reviewed with the Committee the resolutions brought forth from the ISC. The Committee voted unanimously to reaffirm the resolution for Divestment from Sudan and Divestiture from Companies Manufacturing or Distributing Cluster Munitions and /or Military Items Containing Depleted Uranium for recommendation to the full Board.

Trustee Bain invited Work Group Leader and University Controller, Claire Burlingham, to give a brief update on the activities of the SRIWG. Two proposals were presented by the university community during the academic year. One proposal generated discussion from the opposing side. The SRIWG recognized the need to develop a process around soliciting university community input on proposals. The work group will review best practices of other universities and develop a recommendation.

Reaffirm Divestiture from Sudan

RESOLVED, that the Board of Trustees reaffirms its Resolution for Divestment from Sudan, as adopted by the Board on May 18, 2006, and amended by the Executive Committee on June 12, 2006 (stated below);

BE IT FURTHER RESOLVED, that the Budget, Finance and Investment Committee, as successor to the Committee on Socially Responsible Investing, will review this resolution on an annual basis.

Resolution for Divestment from Sudan (June 12, 2006)

WHEREAS, the University’s Policy Statement on Moral, Social and Ethical Considerations in Investment and Shareholder Resolutions holds that the primary objective of investment by the University is to provide a satisfactory return on investment for the support of University operations based upon the Prudent Investor Rule; and

WHEREAS, the Policy Statement also holds, however, that the policy of fiscal prudence shall not preclude the University from considering moral, ethical, and social criteria in determining companies in which to invest; and
WHEREAS, a balanced group of the University community has been convened as the Committee on Socially Responsible Investing and has studied the issue of genocide in the Darfur region of Sudan and has made recommendations to the Investment Committee of the Board of Trustees;

THEREFORE, BE IT RESOLVED, that the University adopt and implement a policy of targeted divestment from companies doing business with or otherwise aiding the governing regime of Sudan based on the model developed by the Sudan Divestment Task Force;

BE IT FURTHER RESOLVED, that the University implement its divestment policy to the fullest extent consistent with its fiduciary responsibilities; and

BE IT FURTHER RESOLVED, that the Socially Responsible Investment Work Group will review and reaffirm this resolution on an annual basis.

Reaffirm Divestiture from Companies Manufacturing or Distributing Cluster Munitions and/or Military Items Containing Depleted Uranium

RESOLVED, that the Board of Trustees reaffirms its Resolution for Divestment from Companies Manufacturing or Distributing Cluster Munitions and/or Military Items Containing Depleted Uranium as adopted by the Board on May 15, 2009 (stated below);

BE IT FURTHER RESOLVED, that the Budget, Finance and Investment Committee will review this resolution on an annual basis.

Resolution Regarding Divestment from Companies Manufacturing or Distributing Cluster Munitions and/or Military Items Containing Depleted Uranium (May 15, 2009)

WHEREAS, the board reaffirms its commitment to “Our Common Ground” and its stated values of “justice” and “responsibility”; and

WHEREAS, the University’s policy of fiscal prudence shall not preclude the consideration of moral, ethical and social criteria in determining companies in which to invest, and that the University will take an active role on request in pursuing shareholder resolutions through proxy resolutions and other means in order to further its goal of investing in firms that produce safe and useful products in accord with moral, ethical and social criteria; and

WHEREAS, reaffirming the Declaration of the Oslo Conference on Cluster Munitions, by which, inter alia, States recognized the grave consequences caused by the use of cluster munitions and committed themselves to conclude by 2008 a legally binding instrument that would prohibit the use, production, transfer, and stockpiling of cluster munitions that cause unacceptable harm to civilians, and would establish a framework for cooperation and assistance that ensures adequate provision of care and rehabilitation for victims, clearance of contaminated areas, risk reduction education, and destruction of stockpiles; and
WHEREAS, weapons containing depleted uranium have potentially harmful effects on human health and the environment and do so indiscriminately;

BE IT RESOLVED, that the Budget, Finance & Investment Committee recommends University divestment from companies that are materially engaged in the manufacture of:

a) Cluster munitions as defined by the Oslo Treaty of December 2008.

b) Military equipment and/or weapons containing depleted uranium.

BE IT FURTHER RESOLVED that the Socially Responsible Investment Work Group will review and reaffirm this resolution on an annual basis.

Capital Project Financial Feasibility Review

- Review of Ten-Year Capital Plan Procedures

Vice President Cate reviewed the existing procedures for presenting projects for inclusion in the 10-year Capital Plan. Rather than bring forward a specific proposal for changes in the Strategic Capital Plan, the President will appoint a small group to look at procedures for the Capital Plan.

- Approval of Clinical Simulation Laboratory

Director Vaughn presented the proposal from the University of Vermont Colleges of Medicine and Nursing and Health Sciences to renovate approximately 9,000 square feet of existing space in the Rowell Building. The total project cost of $2,300,000 will be accomplished through 100% of non-debt funding towards this project by donor and available college one-time funds. The Committee voted unanimously to approve the Clinical Simulation Laboratory Resolution for recommendation to the full Board.

Clinical Simulation Laboratory Resolution

WHEREAS, the Educational Programs and Institutional Resources Committee carefully reviewed the program, scope, and preliminary estimate of $2,000,000 for the Clinical Simulation Laboratory (the “Project”) at its February 2010 meeting and found it an institutional priority, consistent with the Strategic Capital Plan and worthy of further consideration; and,

WHEREAS, the Educational Programs and Institutional Resources Committee also endorsed the Project at its February 2010 meeting and remitted it to the Budget, Finance, and Investment Committee for financial review and approval at a subsequent meeting; and

WHEREAS, the College of Medicine has budgeted $2,000,000 of donor funds for this project;
NOW, THEREFORE, BE IT RESOLVED, that the Vice President for Finance and Administration and University Treasurer, or his successor or designee, is hereby authorized to proceed with the Clinical Simulation Laboratory Project and to execute any and all contracts and documents necessary to undertake the Project at a total Project cost not to exceed $2,000,000 to be financed with College of Medicine donor funds; and

BE IT FINALLY RESOLVED, that the Secretary or Assistant Secretary will provide certificates of incumbency, as required, showing the names and signatures of those people appointed to any of the positions heretofore mentioned, and further, that any officer of this corporation is hereby authorized to certify this resolution to whom it may concern.

- Approval of Reallocation of Existing Bond Funds for Deferred Maintenance and Classroom Projects

Vice President Cate discussed the close out process for twelve capital projects which utilized bond funding over the last five years. The administration presented the proposal for the reallocation of those positive balances to address immediate deferred maintenance and classroom needs in several areas of campus. All of the projects have completed the original programs defined by their scopes of work, with the exception of Jeffords Hall. The amount identified for reallocation from Jeffords Hall is 75% of the unused contingency of the project. These funds will finance $2,800,000 of priority deferred maintenance and classroom projects.

The Committee voted unanimously to approve the resolution Reallocation of Existing Capital Bond Funds Resolution for recommendation to the full Board.

**Reallocation of Existing Capital Bond Funds Resolution**

WHEREAS, the University wishes to manage its debt in the most cost-effective way in accordance with its Board-adopted Debt Policy; and

WHEREAS, in 2005, 2007, and 2009, the Board of Trustees authorized the issuance of General Obligation Bonds for various capital projects; and

WHEREAS, the University initially authorized the expenditure of these three bond proceeds for certain projects that have been completed to a level whereby a balance of funds will not be expended; and

WHEREAS, the University now wishes to authorize the expenditure of $145,100 from 2005 bond proceeds, $965,000 from 2007 bond proceeds, and $1,689,900 from 2009 bond proceeds towards several priority deferred maintenance and classroom projects,

NOW, THEREFORE, BE IT RESOLVED, that the Vice President for Finance and Administration and University Treasurer, or his successor or designee, is hereby authorized to reallocate $100,000 from the Wing-Davis-Wilks Renovation project, $35,000 from the Carrigan Wing project, $10,100 from the Centennial Drainage project, $150,000 from the Carbon Monoxide Monitoring project, $35,000 from the Marsh-Austin-Tupper Renovation
project, $200,000 from the University Heights project, $10,000 from the 438 College Street project, $400,000 from the DeGoesbriand Fitup project, $70,000 from the Williams Hall project, $100,000 from the Rowell Rehab project, $189,900 from the Campus Life Task Force II project, and $1,500,000 from the Jeffords Hall project, to finance $2,800,000 of priority deferred maintenance and classroom projects, and,

BE IT FINALLY RESOLVED, that the Secretary or Assistant Secretary will provide certificates of incumbency, as required, showing the names and signatures of those people appointed to any of the positions heretofore mentioned, and further, that any officer of this corporation is hereby authorized to certify this resolution to whom it may concern.

**Given Mechanical & Infrastructure-update**

Director Vaughn updated the Committee that there was no change in the status of the grant application for planning on the Given Mechanical & Infrastructure project.

**Vice President’s Report**

The Committee was provided with a FY 2010 budget to actual report as of March 31, 2010. Overall revenue is tracking at or above budget, while expenditures are below. It is not expected that the Board authorized draw on the loan fund will be needed to balance the year-end budget.

**Adjournment**

There being no further business, the meeting adjourned at 12:10 p.m.

Respectfully Submitted,

Debbie McAneny, Chair